

MAMUSA LOCAL MUNICIPALITY



CREDIT CONTROL POLICY AND CUSTOMER CARE POLICY 2020-2021

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CREDIT CONTROL POLICY

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LEGISLATIVE CONTEXT

In terms of section 152 (1)(b) of the Constitution of the Republic of South Africa, 1996, (No 108 of 1996), local government are required to ensure the provision of services to communities in a sustainable manner.

In terms of section 64(2) (a) of the Municipal Finance Management Act, 2003 (Act No.56 of 2003)

1. DEFINITIONS

For the purpose of this policy, the wording or any expression used has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

“Act”, The Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) as amended from time to time;

“Authorized Representative”, the person or institution legally appointed by the Council to act or to fulfil a duty on its behalf;

“Chief Financial Officer” the person appointed by Council to administer its finances;

“Council” the municipal council of the Municipality of Mamusa;

“customer” any occupier and/or owner of any property to which the municipality has agreed to supply services or already supplies services to, or failing such an occupier, then the owner of the property;

“Defaulter” a person who owes money to municipality after the due date has expired;

“Equipment” a building or other structure, pipe, pump, wire, cable, meter, engine or any accessories;

“interest” a charge levied with the same legal priority as service fees and calculated at a rate determined by council from time to time on arrear monies;

“municipality” includes a municipality referred to in section 155 (6) of the Constitution;

“municipal account” an account rendered specifying charges for services provided by the municipality, or any authorised and contracted service provider, and/or assessment rates levies;

“Municipal Manager” the person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, (Act 117 of 1998) and include any person acting in that position or to whom authority was delegated;

“municipal services” those services provided by the municipality, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, and for which services charges are levied;

“Occupier” any person who occupies any property or part thereof, without taking cognisance of the title in which he or she occupies the property,

“Owner” –

- a) the person in whose name the property is legally vested;
- b) in the case where the person in whose name the property is vested, is insolvent or deceased, or is disqualified in terms of any legal action, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, or any other legal representative;
- c) in the case where the council are unable to establish the identity of such person, the person who are entitled to derive benefit from the property or any buildings thereon;
- d) in the case of a lease agreement in excess of 30 years was entered into, then the lessee;
- e) Regarding:
 - i. a portion of land allotted on a sectional title plan and which is registered in terms of the Sectional Title Act, 1986 (Act 95 van 1986), without limiting it to the developer or managing body to the communal property;
 - ii. a portion as defined in the Sectional Title Act, the person in whose name that portion is registered in terms of a “sectional title, including the legally appointed representative of such person;
- f) any legal entity including but not limited to :
 - i. a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust inter vivos, trust mortis causa, a closed corporation registered in

- terms of the Close Corporation Act, 1984 (Act 69 of 1984), and any voluntary organisation;
- ii. any provincial or national government department or local authority;
- iii. any council or management body established in terms of any legal framework applicable to the Republic of South Africa; and
- iv. any embassy or other foreign entity.

“Property” any portion of land, of which the boundaries are determined, within the jurisdiction of the municipality;

GENERAL OBJECTIVES

2. PRINCIPLES

In the execution of its customer care, credit control and debt collection policy the municipality will apply the following principles:

- a. The administrative integrity of the municipality will be maintained at all costs meaning that democratically elected councillors are responsible for the adoption of the policy, while the Municipal Manager must execute the policy.
- b. All customers must complete an official application form, formally requesting the municipality to connect them to service supply lines.
- c. Changes to legislation, by-laws and policies may require existing customers to complete new application forms.
- d. A copy of the application form, conditions of services and extracts of the customer care, credit control and debt collection policy and by-law must be handed to every customer on request at such fees as may be prescribed.
- e. Billing is to be accurate, timeous and understandable.
- f. The customer is entitled to:
 - i. reasonable access to pay points;
 - ii. a variety of reliable payment methods; and
 - iii. an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of such an appeal.
- g. Enforcement of payment must be prompt, consistent and effective.
- h. Unauthorised consumption, illegal connection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.
- i. Incentives and disincentives may be used in the collection process.
- j. The collection process must be cost-effective.

- k. The mayor must report the implementation of the customer care, credit control and debt collection performance results, regularly and efficiently to Council.
- l. Application forms will be used to, inter alia, categorise customers according to credit risk and to determine relevant levels of services and deposits required.
- m. Targets for performance in both customer services, credit control and debt collection will be set and pursued and remedies implemented for non-performance.
- n. Where practically possible customers care, credit control and debt collection should be handled independently and the organisational structure will reflect the separate functions.
- o. The organizational structure of the Municipal Budget and Treasury office must reflect the customer care, credit control and debt collection.

3. OBJECTIVES

The objectives of the credit control are: -

- To implement procedures that will ensure the prevention of escalation in arrear debt.
- To provide framework where council can exercise its executive and legislative framework with regard to credit control and debt management;
- Ensure that all money payable to council are collected and used to deliver services in the best interest of the community, residents and consumers in a financially sustainable manner.
- Provide a frame work for customer care and indigent support;
- Describe credit control measures and sequence of events;
- Outline debt collection and credit control procedures and mechanisms; and
- Set realistic targets for credit control and debt management.
- Limited risk by employing effective management tools.

4. DUTIES AND FUNCTIONS OF COUNCIL

- To approve a budget consistent with the needs of communities, ratepayers and residents.
- To impose rates and taxes and to determine service charges, fees and penalties to finance the budget within the affordability of the consumers
- To facilitate funds to give access to basic services for the poor.
- To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.

- To set an improvement target for debt collection, in line with acceptable accounting ratios.
- To set performance targets and monitor the performance of the Municipal Manager regarding credit control and debt collection.
- To approve a reporting framework for credit control and debt collection.
- To consider and approve by-laws to give effect to the Council's policy.
- To revise the budget should Council's targets for credit control and debt collection not be met?
- To take disciplinary action against councillors, officials and agents who do not execute council policies and by-laws.
- To delegate the required authorities to monitor and execute the credit control and debt collection policy to the Municipal Manager and Chief Financial Officer respectively.
- To build the capacity of the credit control and debt management unit.

5. DUTIES AND FUNCTIONS OF THE MAYOR

- To oversee and monitor the implementation and enforcement of this policy and by-laws enacted to give effect to the policy;
- To monitor the performance of the Municipal Manager in implementing the policy and by-laws.
- To, review and evaluate annually the policy and by-laws in order to improve the efficiency of Council's customer care, credit control and debt collection procedures, mechanisms and processes.
- To report to quarterly to Council on the implementation of the credit control policy.

6. DUTIES AND FUNCTIONS OF THE MUNICIPAL MANAGER

- To implement good customer care management.
- To implement council's credit control and debt collection policy.
- To install and maintain an appropriate accounting system.
- To bill consumers on a monthly basis.
- To demand payment on due dates.
- To raise penalties for defaults.
- To appropriate payments received.
- To collect outstanding debt after the due date
- To provide different payment methods.
- To determine credit control and customer care measures.
- To determine work procedures for public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.

- To delegate certain functions to senior managers.
- To appoint firm/s of attorneys or collection agents to assist with the execution of his/her duties, where necessary.
- To set performance targets for staff.
- To appoint staff to execute council's policy and by-laws in accordance with council's staff policy.
- To determine control procedures.
- To report to the Finance Committee and the Mayor?

7. Duties and functions of Communities, Rate payers and Residents

- To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public and municipal services.
- To pay service fees, rates on property and other taxes, levies and duties imposed by the council on or before due date.
- To obtain a duplicate account at the municipal help (enquiry) desk if an account is not delivered during the normal billing cycle.
- To notify the council when services are no longer required at a particular service delivery point and of address changes.
- To safeguard and maintain service meters in a readable condition.
- To observe the mechanisms and processes of the council in exercising their rights.
- To allow municipal officials reasonable access to their properties to execute municipal functions.
- To comply with the by-laws and other legislation of council.
- To refrain from tempering with municipal services and property.
- To maintain credit and prepayment meters.

8. (A) PERFORMANCE EVALUATION

The municipal council must establish a mechanism to set targets for debt collection, customer care and administrative performance, evaluate performance and take corrective actions on a regular basis to enhance credit control and debt collection.

8. (B) REPORTING

- a) The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable him/her to report to the Mayor as supervisory authority in terms of section 99 of the Act, read in conjunction with section 100(c)
- b) This report contemplated in 5(1) will include:
 - ✓ The total debt analysis as at month-end.
 - ✓ Month-end balances after debit raising.
 - ✓ Brought forward balances at month-end.
 - ✓ Number of fully recovered accounts.
 - ✓ Indigent progressive growth.
 - ✓ Number of indigent applications.
 - ✓ Cash flow improvement.
 - ✓ Net effect on arrears.
 - ✓ Collections of arrangements.
 - ✓ Cash receipts.
 - ✓ Cash received versus debits raised.
 - ✓ Cash received exceeding debits raised.
 - ✓ Attorneys brought forward balances.
 - ✓ Meter reading functions.
 - ✓ Domestic application for services - ITC checks.
 - ✓ Domestic application for services - ITC risks levels.
 - ✓ Business application for services - ITC checks.
 - ✓ Business application for services - ITC risks levels.
 - ✓ Arrangements made.
 - ✓ Number of hand delivered final demands.
 - ✓ Number of posted final demands.
 - ✓ Electricity cuts versus reconnections.
 - ✓ Water restrictions versus reconnections.
 - ✓ Electricity and water revisits.
 - ✓ Summonses.
 - ✓ Judgements issued.
- c) Performance in all areas against targets agreed to in the SDBIP.
- d) If the actual cash receipts do not match the budgeted income the Chief Financial Officer must report this with motivation to the Municipal Manager who will, if he agrees and the trend continuous, immediately move for a revision of the budget according to realistically realisable income levels.
- e) The Mayor as supervisory authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Act.

9 KEY CREDIT CONTROL AND DEBT COLLECTION PROCESSES

9.1.1 Application for new connection

Application for new connections can only be made by property owners or **tenant (only Businesses)** with written consent of the owner, accompanied by positive identification. Applicants must complete the prescribed “Rendering of Consumer Agreement” forms in order to obtain a new connection. A new connection fee, determined in terms of the municipality’s current Rates and Tariff Policy is payable. All new applications will be evaluated and the deposit for consumers with high risk will be increased. In certain cases additional security from prospective consumers may be required. No account shall be opened on a property that is owing, be it tenants or owner’s account unless there is a payment arrangement on the outstanding amount. All conditions set out in contracts of supply and must be signed by accountholder/s. The Council reserves the right to disconnect the services of tenant **(only businesses)** if the owners account is in arrears. Are conditions set out in contracts of supply and signed by accountholder/s.

9.1.2 Billing

Consumers will receive monthly statement/s with an indicated payment due date. The statement shall contain messages of events within the municipality from month to month. Consumers with disputes on their account/s must pay other services and an average of the disputed service/s. Ratepayers/consumers who have not received an account for a specific month, are advised to pay an average of the previous two months’ accounts and to notify the Manager Revenue in order to ensure that correct postal details are on the system. It should be stressed that the non-receipt of an account does not exempt one from the liability of payment. A Water and Lights account cannot be opened without written consent of the owner of the property, accompanied by proper identification, provided that no arrears are owed to the municipality for that property or unless there is a formal arrangement by the owner of the property to pay the arrears.

9.1.3 Estimated Consumption:

The municipality may levy an estimate of the consumption of water or electricity for any relevant period if:

- (a) No meter reading could be obtained in respect of the period concerned; or

- (b) No meter has been installed to measure the consumption on the premises concerned. No interest is payable in such an instance.

The customer concerned is liable for payment of the fee in terms of the municipality's approved tariffs for service delivery in respect of such estimated consumption

- In cases of the meter readers not being able to read the meter due to the reasons such as lock houses, dogs and other unforeseen reasons the municipality will use the past 3 consumption divide by the 3 and use that average to charge that property.
- The estimation period will not be more than 3 months, further internal measures will be taken in order to get the accurate reading of the meter
- All the costs incurred by the municipality for getting the accurate reading due to the mentioned reasons above will be transferred to the owner of the property.

The municipality may, in accordance with the provision of section 102 of Systems Act –

- (a) Consolidate any separate accounts of a customer liable for payments in terms of the By-laws of the municipality;

Hold any amount paid by a customer, which is in excess of an existing debt, in credit for the customer in anticipation of future rates and fees for municipal services owing.

- (c) Submit only one account for all municipal levies and services to the owner of such a property and to distinguish between various individual debtors or debtor types in this regard.

No interest will be payable on any deposit held or any credit amount including that contemplated in paragraph (b) above

9.1.4 Credit Control Measures

9.1.4.1 Reminder/Demand for payment

A warning notice that the account has not been paid on the due date is generated after the due date and delivered to the debtor's physical address. This warning notice clearly states that a period of 7 days is allowed for payment or arrangement for payment, in the absence of which, services to the client will be restricted and or disconnected. The account of the debtor is debited with the cost of such a warning notice at the approved tariff of the municipality. Accounts owing R1000 and more will be subject to cut off and other credit control measures.

In those instances where prepayment meters for service vending are installed, the municipality may block the vending of services to consumers of services on properties where arrears are owed for other municipal services or levies.

9.1.4.2 Electricity disconnection (level 1) and Water restriction

In the absence of reaction on the 7-day reminder, the electricity supply to the debtor is discontinued together with the notice for the reason of the discontinuance. The account of the debtor is debited with the cost of the level 1 cut-off at the approved tariff of the municipality.

In the absence of reaction to the disconnection of electricity within 7 days, in cases where the debtor has a consolidated account including water consumption levies, a disconnection (restriction for residential consumers) of water is carried out at the consumption address and a notice is left at the premises. The account of the debtor is debited with the cost of this action at the approved tariff of the municipality.

In the absence of reaction on the 7-day reminder, in cases where the debtor has an account for water consumption levies but not for electricity, a disconnection (restriction for residential debtors) of water is carried out

at the consumption address after the 7-day period, and a notice to that effect is left at the premises. The account of the debtor is debited with the cost of this action at the approved tariff of the municipality.

9.1.4.3 Electricity disconnection (level 2) and Water restriction

In the further absence of reaction on the level 1 cut-off of electricity, the level 1 cut-off is inspected after 7 days to ensure that the service is still discontinued. If the electricity is found on, it is again discontinued with the relevant notification, but then via a more expensive procedure to ensure a more tamperproof disconnection. The account of the debtor is debited with the higher cost of the level 2 cut-off at the approved tariff of the municipality. The municipality may also opt to install a prepayment type electricity meter at the cost of the consumer or owner of the property and to then restrict the consumption of vending to the meter until the requirements of the municipality are met by the owner or consumer.

In cases where the debtor has a consolidated account that includes water consumption levies, the water supply is also disconnected (restricted for residential consumers) together with the level 1 electricity cut off inspection and a notice to that effect is left at the premises. The account of the debtor is debited with the cost of this action at the approved tariff of the municipality.

9.1.4.4 Illegal reconnection/tampering of electricity

If consecutive follow-up actions due to no reaction by the debtor reveal that illegal consumption of the service occurred or a disconnection has been tampered with, the service connection is removed and evidence against offenders is filed on an investigation document.

9.1.4.5 Illegal reconnection/tampering of water

The water disconnection/restriction is monitored and followed up in cases of absence of reaction by the debtor to ensure that an illegal reconnection has not occurred.

Interference with disconnections at water service points of non-residential consumers will lead to the removal of such a service connections. Where

the services connection is removed, the consumer will be charged with costs of the action in terms of the council's tariff structure.

Any first time discovery of tampering with a restriction device or service connection at the address of a residential consumer leads to restriction of the water flow rate to the quantity of the monthly free water allocation to residential households. Any further tampering after such a restriction will lead to the prosecution of the offending debtor.

9.1.4.5 Consumer who claims to have been wrongfully cut off should report such to the Municipality within two days, failure to do so, Municipality shall not be held responsible for any losses incurred by the consumer. Consumers who suffered losses due to wrongful disconnection should produce a proof of her/his losses to the Council so that an investigation can be undertaken.

9.1.4.6 For consumer who buy water and electricity from the prepaid vending machine, the municipality may limit the amount of vending for consumers with outstanding accounts and/or take a percentage of the amount vended to settle the arrears.

9.1.5 Reinstatement of Municipality Services

9.1.5.1 The municipality must reinstate full levels of provision of any electricity or water service terminated or restricted after –

- (a) The full amount of arrears has been paid,
or
- (b) An agreement for payment of the arrears contemplated has been entered into in terms of this Policy, or
- (c) The full amount of arrears in respect of any agreement entered into, and any increased deposit, have been paid, or any additional security required has been provided, and
- (d) Any other condition of the Policy that the municipality may consider appropriate has been complied with

9.1.5.2 Reconnection of services

Where services are disconnected as a result of the application of this Policy, these services can only be reconnected under the following circumstances:

- (a) Water supply restricted for non-payment by clients, can only be normalised after either receipt of the amount in arrears or conclusion of a settlement arrangement for payment of the arrears in terms of this Policy.
- (b) Water supply which has been restricted due to non-payment will only be normalised after either full payment of the arrears, or upon receipt of an appeal for normalisation due to a good payment record of three (3) months on the repayment contract and the current monthly levies. The Chief Financial Officer will receive and evaluate each appeal before normalisation.
- (c) Electricity supply discontinued due to non-payment can only be reconnected after receipt of the amount in arrears or the conclusion of a settlement arrangement for payment of the arrears in terms of this Policy.
- (d) Any services which are discontinued as a result of tampering with the Municipality's distribution networks and/or mechanisms can only be legally reconnected if a Court orders so.

ALTERNATIVELY: if the affected client admits in writing that he/she permitted or committed the tampering and undertakes to not repeat the action and concludes a settlement arrangement for payment of the reconnection charges and arrears in terms of this Policy, service reconnection can also be made. Such written admission will be kept on the case document for future use in case of repeated tampering.

9.1.5.3 Reconnection or reinstatement of services will be done within 24 hours.

9.1.6 Termination of Service Agreements

9.1.6.1 A customer must terminate an agreement with the municipality for the provision of any municipal service by notice in writing (completing the relevant service discontinuation and account closure forms of the municipality) not less than seven working days before the time.

9.1.6.2 The municipality may, subject to compliance with the provisions of the relevant By-laws and any other applicable law, terminate the agreement for the provision of a municipal service to a customer, by notice in writing of not less than 14 working days, if the customer-

- 9.1.6.2.1 Has not used the municipal service during the preceding six months and has not made arrangement to the satisfaction of the municipality for the continuation of the relevant agreement; or
- 9.1.6.2.2 Has made an arrangement with another service provider to provide the municipal service concerned to the customer; or
- 9.1.6.2.3 Has vacated the premises to which the agreement concerned relates.

9.1.7 Illegal Connections and Meter Tampering

When it is ascertained that a meter had been tampered with, the cost of repairing or replacing an existing meter with another one will be charged to the account of the respective customer. The municipality can also opt to close the consumer's account in such instances and levy all municipal charges related to the property on the owner's account. The full outstanding balance is immediately payable before services will be restored.

In addition, where a meter has been tampered with or where there has been unauthorized consumption of water or electricity, the municipality shall remove the connection and the cost of this action will be charged to the account of the customer, and a criminal case will be opened with the Competent Court of law. In a case where the meter is inside the house or the yard, it shall be moved outside and the costs will be borne by the customer/s or a pre-paid meter must be installed at the owner's expense.

9.1.8 Free Basic Services

The municipality will provide free basic services to domestic debtors, on a monthly basis in quantities as determined from time to time in line with the Indigent Policy. The six kilolitre's **(6kl)** free basic water will be provided per meter connection. The six kilolitres (6kl) free basic water will be provided per living unit in a residential complex with metered or unmetered and sewer connection, meaning registered sectional title units/townhouses, life rights complexes, old age home, block of flats and excludes formal or informal granny's flats and backyard rooms. The **(50 kWh)** free basic electricity will be provided per meter connection on the monthly basis to debtors/consumers who have met the criteria set out on the approved Indigent policy.

9.1.9 Indigent Assistance Scheme

An account holder may apply to the municipality, in the prescribed manner, to be declared indigent. Indigent customers are not excluded from this Policy.

9.1.10 Estates Accounts Collection

9.1.10.1 Estates with legal status

The accounts of debtors who are declared as insolvent or liquidated, under administration or deceased are dealt with according to normal legal practices by the collection staff of the municipality.

Unsuccessful claims in terms of liquidations and insolvents are recommended to Council for possible write off.

9.1.10.2 Estates without formalized legal status

In many cases the head of a household has died without leaving a will/final testament indicating to whom ownership of the family residence is to be transferred upon the event of his/her death OR the owner of the property has abandoned his/her family to fend for themselves. These scenarios are not provided for in the normal legal practice, which necessitates the following process in Mamusa Local Municipality:

The remaining family must report the situation to the municipality's collection office, who will require the relevant documentation to be obtained by the family, i.e. a death certificate and an order of the local Magistrate allocating right of ownership and or possession to someone of the surviving family in the case of a deceased estate OR an order of the local Magistrate allocating right of ownership to someone in the abandoned family

In all of these cases, extension for the payment of the accumulated arrears as at the date of notification will be granted by the debt collectors in the collection office, disconnected electricity will be reconnected and the remaining family must then pay all amounts levied on monthly current accounts in excess of the amount of the payment extension until such time as the matter has been finalized. This will prevent any further service restrictions/cut offs or collection actions at the residence whilst the family is in process of legalizing ownership of the property.

As soon as the right of ownership or possession has been officially allocated by the Magistrate, the documentation must be presented to the municipality's collection office, which will then change the name of the account to that of the new owner

upon receipt of the notice from the attorneys and deeds office. They will also encourage the new owner/tenant to make an arrangement for the payment of the arrears to prevent credit control and collection actions from being taken by the Municipality.

ALTERNATIVELY, if the family qualifies to be registered for assistance in terms of the municipality's Indigent Policy, they can apply to be registered and after registration to enjoy the benefits offered in terms of that Policy regarding the arrears.

Amounts claimed and not successfully collected are submitted to the Council for approval to be written off against the reserve for bad debt.

9.1.11 Revenue Recovery Methods

9.1.11.1 Where the letter of final demand and the termination of services yield no response and the account is outstanding for ninety (90) days and more may be handed over to external debt collectors and/or attorneys for collection.

9.1.11.2 Liability for Rates and Municipal charges: If an amount due for rates and other municipal charges is unpaid by the owner of the property, the municipality may recover the amount from the tenant or occupier of the property. This amount due may also be recovered from the agent of the owner. The Council reserves the right to hand over any debt irrespective of its aging.

9.1.11.2 In-house Collections

9.1.11.2.1 This unit will deal with outstanding debts that are aging less than 90 days. This unit will also deal with all government accounts.

9.1.11.2.2 Summons for each outstanding account will be issued and submitted to the Sheriff for further action to be taken, where required.

9.1.11.2.3 A tariff in terms of the municipality's current Rates and

Tariff Policy will be payable where such an action is taken.

- 9.1.11.2.4 In-house Debt Collection may include the listing of the debtor with the Credit Bureau.
- 9.1.11.2.5 Where there is no response, the accounts will be handed over to external debt collectors and/or attorneys.

It should be noted that the issuing of summons internally will depend on the capacity of the municipality in terms of personnel.

9.1.11.3 External Debt Collection with the assistance of an Attorney

Any amount outstanding over 90 days and above may be handed over to Mamusa Local Municipality's official Debt Collection Agency for collection and to attend to matters that are defended.

9.1.11.4 Uncollectable arrears.

- 9.1.11.4.1 A debt may only be written-off by resolution of the Council.
- 9.1.11.4.2 The Council may only write-off a debt after consideration of a report and recommendations from the Accounting Officer containing at least the information prescribed by this policy and a certification from the Council's attorney seized with recovery thereof or from the Accounting Officer that the debt collection procedures of the municipality (as provided for in the municipality's Customer Care, Credit Control and Debt Collection Policy) have been adhered to and that in his/her opinion there is no reasonable prospect of recovery of the debt and/or that further efforts to do so would be uneconomical.
- 9.1.11.4.3 A debt may only be written-off by the Council against the municipality's provision for doubtful debts, being a funded reserve established pursuant to the municipality's Funding and Reserves Policy and otherwise compliant with regulation 8 of the Municipal Budget Reporting Regulations.

- 9.1.11.4.4** The writing-off of a debt by the Council is an accounting procedure and does not constitute abandonment by the municipality of its claim against a debtor.
- 9.1.11.4.5** Copies of the reports to the Council in regard to all debts written-off is to be retained in the records of the municipality against the name of the debtor and the Accounting Officer must implement a system to alert the municipality to the contents thereof in the event that the debtor again seeks to establish a credit-based relationship with the municipality.

9.1.12 Payment Terms and Interest Charged on Outstanding Accounts

- 9.1.12.1 Normal Terms: All categories of consumers are required to effect payment of their rates and services accounts on or before the due date (**7th of each month**) advised on account statements.
- 9.1.12.2 **11.25 %** is charged on all consumer accounts that are ageing more than 30 Days or portions of accounts which are not settled / paid on due date.
- 9.1.12.3 Payment/s or amount/s received will be allocated at the discretion of the Municipality against any amount owed to the Municipality.

9.1.13 Dishonoured Cheques

If any payment is made to the municipality by a negotiable instrument, and such negotiable instrument is dishonoured, the municipality may levy costs and administration fees against the account of the defaulting customer at the prescribed rate. Council reserves the right to refuse any further negotiable instruments in such a case

9.1.14 Arrangement and payment extension

9.1.14.1 Arrangement to pay arrear account balances will be considered for Industrial, Business and School accounts but limited from six to twelve months period and an initial payment of **50%** of the outstanding debt **is** required. This also applies to churches and non-profit organizations, with only actual service charges being billed. Payment extension for the current account may not be allowed.

9.1.14.2 Proposals for arrangement to pay arrear account balances on domestic accounts and sundry accounts will be considered, provided the following

conditions are met: This will be applicable to occupier(Business) and owner consumers. Tenants should obtain letter from the owner granting them permission to enter into an arrangement

9.1.14.2.1 An appropriate initial down payment of the arrear amount is payable on conclusion of the arrangement and is based on the following: **Residential households**

Net salary range earned by the consumer:

| | |
|---------------------|------------------------------|
| R 3 501 – R 5 999 | 30 % of the outstanding debt |
| R 13 000 – R 15 999 | 40 % |
| R 16 000 – R 20 999 | 45 % |
| R 21 000 – R 25 999 | 50% |
| R 26 000 and above | 60 % |

Salary range earned by the consumer:

9.1.14.2.2 The delegated person who decides on the arrangement is Revenue manager

Exceptional cases may be referred to the CHIEF FINANCIAL OFFICER (CFO)

Credit Control for consideration.

- 9.14.2.2.2 The salary advice as well as proof of the initial down payment must be attached to all arrangement, which have been concluded, in order for the agreed arrangement to be implemented.
- 9.14.2.2.3 The debtor agrees to honour in full the current account while simultaneously reducing the arrears.
- 9.1.14.2.4 The municipality may allow a period of payment in excess of 24 months for the payment of arrears, but not exceeding a period of 60 months, if special circumstances, which the customer could not reasonably have prevented, warrant a longer period of payment.
- 9.1.14.2.5 Documentary proof of any special circumstances, as contemplated in 9.1.14.2.4 must be furnished by a customer on request by the Council.
- 9.1.14.2.6 Acknowledgement of debt and arrangement agreement forms must be completed fully and signed by the customer himself/herself and all documents required must be submitted before the arrangement can be approved.
- 9.1.14.2.7 The total arrear amount which is subject to the agreed arrangement will cease to attract interest if the arrangement is honoured. If, however, the arrangement is dishonoured, interest will be levied and the whole outstanding amount becomes due and payable.
- 9.1.14.2.8 Special arrangements on arrears are treated as a once-off opportunity to account holders who have fallen into arrears. Individuals who did not honour a previous agreement will therefore not be considered for a new agreement, unless exceptional circumstances are found to have existed.
- 9.1.14.2.9 Agreements may not be concluded with customers who
Respond only after being handed over to attorneys for collection.
- 9.1.14.2.10 An acknowledgement of debt and arrangement agreement must be concluded per property.

9.1.15 Businesses placed under provisional or actual liquidation

Businesses placed under provisional or actual liquidation, will only be allowed to purchase services on a pre-payment basis. Prepaid meters will not be installed if there is an outstanding balance on the account/s, unless an arrangement is made to settle the arrears.

Customers who are indebted to the municipality for rates and services and wish to submit building plans for approval will first have to make an arrangement to pay off their arrears before such plans can be approved. Only bank guaranteed cheques or cash payments for such rates and services will be accepted.

9.1.15. Unallocated receipts will be allocated to income after three years.

9.1.16. The arrangement for the following categories of consumers may be allowed more than sixty months and current accounts to be paid in full under debt review, administrations and late estate

9.1.16 CREDIT CONTROL AND DEBT COLLECTION OF EMPLOYEE ACCOUNTS

Municipal System Act: states that *"A staff member of a municipality may not be in arrears to the municipality for rates and service charges for a period longer than 3 months, and a municipality may deduct any outstanding amounts from the staff member's salary after this period."*

Employees of the Municipality shall be subject to disciplinary hearings, as per the Municipal Systems Act (No 32 of 2 000), Schedule 2 S10, if they are found to be in arrears.

Payment of arrear amounts by staff may be extended to a maximum of 42 months in exceptional circumstances in order to deal with previous accumulated arrears and within the prescripts of the Basic Conditions of Employment Act. Thereafter no further arrears may be accumulated.

In order to ensure timeous, assured payment of employee accounts, all employees residing within the Mamusa Local Municipality shall be subject to an automatic deduction instituted against their salaries.

9.1.17 CREDIT CONTROL AND DEBT COLLECTION OF COUNCILOR ACCOUNTS

The Local Government Laws Amendment Act (No 51 of 2002) states that Municipal Councillors may not be in arrears to the municipality for rates and services for a period longer than 3 months. In addition, in terms of the Municipal Finance Management Act (No 56 of 2003), S124 (b).

“The notes to the annual financial statements of a municipality must include particulars ofany arrears owed by individual councillors to the municipalityfor rates or services and which at any time during the relevant financial year were outstanding for more than 90 days, including the names of those councillors.....”

In order to ensure timeous, assured payment of councillor accounts, all councillors shall be subject to an automatic deduction instituted against their councillor allowance payments on a monthly basis.

9.1.18 COMMUNICATION WITH COMMUNITIES AND OTHER STAKEHOLDERS

On approval of the new policy, a comprehensive communication plan will be implemented through the Communication Directorate, in conjunction with the relevant Directorates, in order to advise ratepayers and consumers regarding incentives, payment terms and arrangements in the following languages: Afrikaans, English and Tswana. This will be done in conjunction with the ward committees.

9.1.19 CLEARANCE CERTIFICATES

Before any property can be transferred from one owner to another, all arrears are payable, where after the Chief Financial Officer issues a certificate to that effect. No transfer can take place without such a certificate.

9.1.20 CLIENT CARE

Clients may lodge appeals on the accuracy of accounts at the Debtor Client services Section. Whilst such an appeal is not solved, no credit control measures are taken for that amount. Other levies on the account, which do not form part of such an appeal, are however still payable and are not included in the extension for payment. The municipality shall not be held liable for leaks inside properties of the consumer and no credit will be passed on the consumer account for such leaks.

9.1.21 PENSIONER'S REBATE

Pensioner's rebate will be dealt with in terms of the Rate Policy.

9.1.22 REPORTING AND PERFORMANCE MANAGEMENT

9.1.23 The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Executive Mayor as supervisory authority in terms of section 99 of the Systems Act, read with section 100(c).

This report shall contain particulars on cash collection statistics showing high-level debt recovery information (numbers of customers; enquires; arrangements; default arrangements; growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other such divisions.

9.1.24 If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if he/she agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realisable income levels.

9.1.25 The Executive Mayor as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act.

9.1.26 APPLICATION OF THE POLICY

The Council reserves the right to differentiate between different categories of consumers, debtors, services or service standards when applying the Policy.

The Council will, on application of the credit control policy, avoid discrimination as forbidden by the Constitution unless it is established that the discrimination is fair as allowed by the Constitution.

9.1.27 Procedures for writing-off of debt

a) General

- i. A debt may only be written-off by resolution of the Council.
- ii. The Council may only write-off a debt after consideration of a report and recommendations from the Accounting Officer containing at least the information prescribed by this policy and a certification from the Council's attorney seized with recovery thereof or from the Accounting Officer that the debt collection procedures of the municipality (as provided for in the municipality's Customer Care, Credit Control and Debt Collection Policy) have been adhered to and that in his/her opinion there is no reasonable prospect of recovery of the debt and/or that further efforts to do so would be uneconomical.
- iii. A debt may only be written-off by the Council against the municipality's provision for doubtful debts, being a funded reserve established pursuant to the municipality's Funding and Reserves Policy and otherwise compliant with regulation 8 of the Municipal Budget Reporting Regulations.
- iv. The writing-off of a debt by the Council is an accounting procedure and does not constitute abandonment by the municipality of its claim against a debtor.
- v. Copies of the reports to the Council in regard to all debts written-off is to be retained in the records of the municipality against the name of the debtor and the Accounting Officer must implement a system to alert the municipality to the contents thereof in the event that the debtor again seeks to establish a credit-based relationship with the municipality.

b) Information to be placed by the Accounting Officer before the Council in a report recommending the writing-off of a debt or group of debts:

- i. In the case of an individual debt, particulars of the debt including:

- the amount of the debt, stating separately the capital amount and interest accrued;
- the composition of the capital amount (cause of action);
- whether the debt was secured by a mortgage bond or any other security and whether such security has been realised.

ii. In the case of a group of debts, particulars of the group including:

- motivation for submission of the debts in question as a group (e.g. cause of action, collection procedures and prospect of recovery similar in each case)
- the total amount of the debts in the group, stating separately
- the total of the capital amounts and interest accrued;
- the composition of the capital amount (cause of action);
- whether any debt was secured by a mortgage bond or any other security and whether such security has been realised.

iii. Steps taken to recover the debt or group of debts including:

- all debt collection procedures and mechanisms implemented;
- the results yielded thereby;
- any arrangements entered into with the debtor during the course of collection;
- an age analysis of the debt or group of debts.

iv. Particulars of the debtor including:

- whether the debtor is a natural or juristic person;
- if the debtor is a natural person, whether he/she is a registered indigent in terms of the municipality's Indigent Management Policy, whether he/she has been sequestrated and if so, the outcome of the municipality's claim against the insolvent estate.

- If the debtor is a juristic person, whether it has been liquidated and if so, the outcome of the municipality's claim against the estate in liquidation;
 - whether the debtor can be traced;
 - whether the debtor is gainfully employed or otherwise in receipt of an income and the outcome of any arrangements made with the debtor, emoluments attachment orders issued and/or any distribution orders made.
- v. Details of any attachable movable or immovable property which had been owned by the debtor and the outcome of execution by the municipality against it.
- vi. Any other information relating to the debt which may be requested by the Council.
- vii. Details of costs incurred thus far in pursuing collection of the debt, and an estimation of the potential liability of the municipality for further costs should the debt be pursued.
- viii. The certificate referred to in 5(a)(ii) above.

Amendments and additions to the policy:

This clause was added on clause 6.8, The six kilolitres (6kl) free basic water will be provided per living unit in a residential complex with metered or unmetered and sewer connection, meaning registered sectional title units/townhouses, life rights complexes, old age home, block of flats and excludes formal or informal granny's flats and backyard rooms.

Implementation Department: Budget & Treasury (Chief Financial Officer)

RESOLUTION DATE: 14th JUNE 2018

RESOLUTION NO : 27/2019

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MUNICIPAL MANAGER

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HON

